

conducted at the accountant's office or the DWS office. In either case, the auditor is required to visit an employer on site during the audit.

Q: Should my accountant be present?

A: That's up to you. It would be wise if you feel the accountant has a better understanding of the records than you.

Q: When can I expect to hear the results of the audit?

A: You will get the results when the audit is completed.

Q: What if DES finds I owe tax, but I can't pay?

A: If you can't pay the entire amount immediately, the Division can usually arrange a payment schedule.

Q: If I owe tax to DES, will I also owe more to the IRS and/or the North Carolina Department of Revenue?

A: You need to contact the other agencies to determine if you owe them additional tax.

Q: What if I don't agree with the auditor's findings?

A: You may request a hearing before a DES Hearing Officer. The Notice of Tax Assessment contains the final date by which you can protest the auditor's findings. The protest must be in writing and state why you believe the notice is incorrect.

Q: Does my hearing request stop interest from accruing?

A: No. You only do that by paying the amount the Division believes you owe. Your money will be refunded to you if you prevail at the hearing.



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More information about DES may be obtained at our web site: des.nc.gov

**North Carolina Department
of Commerce
Division of Employment
Security**



**Important
Information
about
Unemployment
Insurance
Tax
Audits**

des.nc.gov

Important Information About Unemployment Insurance Tax Audits

Q: Why does the Division of Employment Security (DES) perform audits?

A: The Employment Security Law of North Carolina, contained in North Carolina General Statute 96, gives the Division the right to inspect employer records and requires employers to allow review of their records in North Carolina. The audits are performed to assure compliance with the unemployment tax laws.



Q: Why Me?

A: There are several reasons why the DES audits employers.

The Division samples employers for compliance by size and type of firm and by random selection.

A former employee may have filed an unemployment claim only to find the wages reported to the state were different from their records. You may have not regarded that person as an employee.

Sometimes there may be indications an employer may have completed the tax report incorrectly, or the employer did not report employees.

Q: What will an auditor look for?

A: An auditor will confirm that all wages have been reported correctly and that all taxable wages have been computed correctly. Most common types of payroll not reported involve payments for bonuses, casual labor, commissions, remuneration to corporate officers, and independent contractors.

Q: What if I paid workers, not on my payroll for services performed? Can I be taxed for those payments I don't regard as wages?

A: Often employers pay for what they believe are independent contractors, not subject to the law. Later it's found these are employees and tax payments should have been made. You may also have liability over casual labor, commissions, payment or other remunerations to corporate officers. The auditor will make findings using clear legal and administrative guidelines.

Q: How far back will the audit cover?

A: A scope of a normal audit is for one calendar year, but it can be for up to five years. If there is an exception,

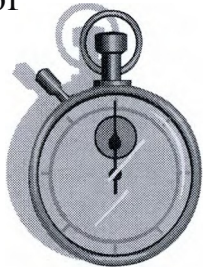
the auditor will explain the situation to you.

Q: What records will be needed?

A: Records reviewed include payroll records, W-2s, 1099s, IRS and North Carolina Department of Revenue records, and general disbursement records such as your check record journal, invoices, and cancelled checks. Additional records may also be reviewed depending upon the type of business that you have

Q: How long is it likely to take?

A: It depends on the number of employees, the condition of your records, and any irregularities that are found. Some audits take three to four hours, others may take longer. The auditor will best be able to answer this question for you.



Q: What if I don't have any employees?

A: DES may still want to conduct an audit to confirm this.

Q: Where will the audit take place?

A: Usually at the employer's primary place of business in North Carolina. Sometimes audits may be partially